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**UNITED STATES OF AMERICA
DEPARTMENT OF TRANSPORTATION
OFFICE OF THE SECRETARY
WASHINGTON, D.C.**

SERVED DEC 20 1999

Issued by the Department of Transportation
on the **16th** day of December, **1999**

Essential Air Service at

SEWARD, ALASKA

under 49 U.S.C. 41731, et seq.

Dockets OST 97-2942-7

ORDER TENTATIVELY RESELECTING CARRIER

Summary

By this order we are tentatively reselecting **F.S. Air Service, Inc.** to provide subsidized essential air service at Seward, Alaska, for the two-year period beginning January **1, 2000**, through December **31, 2001**, at an annual subsidy rate of **\$82,878**. (See Appendix A for a map.)

Background

F.S. Air Service, Inc. was last selected to provide essential air service at Seward, Alaska, pursuant to Order **98-1-2**, issued January **2, 1998**. The annual subsidy rate of **\$73,498** established by that order will expire December **31, 1999**.

Under our normal procedures when nearing the end of a rate term, we contact the incumbent carrier to determine whether it is interested in continuing service and whether it will continue to require subsidy. If the carrier wishes to continue service with subsidy, we usually negotiate a new subsidy rate with the carrier, issue an order tentatively reselecting the carrier for a new rate term at the agreed rate, and direct other parties to show cause why we should not finalize our tentative decision. Other carriers wishing to submit competing proposals are invited to do so in response to the show-cause order; if any such proposals are filed, we process them as a competitive case. Consistent with this practice, we invited **F.S. Air Service, Inc.** to submit a proposal for continuation of essential air service at Seward.

Carrier Service Proposal

In response to our inquiry **F.S. Air Service** indicated its desire to continue to provide the historical level of service at Seward for a new two-year rate term. During the peak and off-peak seasons, the carrier proposes to operate ten and three nonstop round trips a **week, respectively**, to Anchorage, all with **9-seat** Piper Navajo aircraft. Based on informal rate discussions held between the carrier and the Department staff, an annual subsidy rate of **\$82,878** has been agreed

upon for each year of the new rate term. (See Appendix B to this order for a summary of the subsidy computation for the **F.S. Air Service** proposal.)

Tentative Decision

We will tentatively reselect **F.S. Air Service** to provide essential air service at Seward as detailed in Appendix C, for an additional two-year period, from January 1, 2000, through December 31, 2001, at an annual subsidy rate of **\$82,878**. We find both the service and the subsidy aspects of its proposal to be reasonable. The city manager has advised us informally that the Seward community is satisfied with the service provided by **F.S. Air Service**.

Objections or Proposals

As usual, we will allow interested parties 20 days to object to our decision and/or to file competing proposals.¹ If no timely objections or competing proposals are filed this order will automatically become final. We expect persons objecting to our tentative decision to support their objections with relevant and material facts. We will not entertain general, vague, or unsupported objections.

Carriers interested in filing competing proposals, with or without subsidy requests, should file them within the **20-day** period set for objections. At the end of that period, our staff will docket any competing proposals, thereby making them public, and direct each carrier to serve a copy of its proposal on the civic parties and other applicants. Each applicant, including the incumbent, will then have an opportunity to finalize its proposal in rate discussions with Department staff before we seek **final** community comments. We will give full consideration to all proposals that are timely filed.

If no timely objections or competing proposals are filed, this order will automatically become final. In order to assist interested carriers in developing traffic and revenue projections for their service proposals, we have summarized the historical **origin-destination** traffic for Seward by quarter and direction in Appendix D.

Procedures for Filing Replacement Proposals

For interested carriers unfamiliar with our procedures and recommended form for supplying the necessary information, we have prepared two explanatory documents that we will make available upon request. The first describes the process for handling carrier replacement cases under **49 U.S.C. 41734(f)** and discusses in detail the process of requesting proposals, conducting reviews of applicants, and selecting a replacement carrier. The second is an evidence request containing an explanatory statement, a copy of Part 204 of our regulations (**14 CFR 204**), and schedules setting forth our recommended form for submitting data required for calculating compensation and determining the financial and operational ability of applicants to provide reliable essential air service. (Section 204.4 describes the fitness information required of all applicants for authority to provide essential air service.) Applicant carriers that have already submitted this information in another case need only resubmit it if a substantial change has occurred. However, if there are more recent data or if there have been any changes to the

¹ See Appendix D for historical passenger **and cargo** traffic.

information on file, carriers should provide updates of those information elements. Interested carriers that need to obtain copies of these documents may contact the Office of Aviation Analysis at (202) 366-1053.

Other Carrier Requirements

The Department is responsible for implementing various Federal statutes governing lobbying activities, drug-free workplaces, and nondiscrimination.² Consequently, all carriers receiving Federal subsidy to support essential air service must certify that they are in compliance with Department regulations regarding drug-free workplaces and nondiscrimination, and those carriers whose subsidies exceed **\$100,000** over the life of the rate term must also certify that they are in compliance with the regulations governing lobbying activities. All carriers that plan to submit proposals involving subsidy should submit the required certifications along with their proposals. Interested carriers requiring more detailed information regarding these requirements as well as copies of the certifications should contact the **Office** of Aviation Analysis at (202) 366-1053. The Department is prohibited from paying subsidy to carriers that do not submit these documents.

Community and State Comments

If we receive competing proposals the community and State are welcome to submit comments on the proposals at any time.³ Early in the proceeding, comments on the perceived strengths and weaknesses of the proposals would be particularly helpful to the Department, although the civic parties may also express a preference for a particular carrier or proposal option at that time, if they choose. In any event, after we conclude rate conferences with all applicants, we would provide a summary of the conferences results to the civic parties and ask them to file their final **comments**.⁴

Carrier Fitness

49 U.S.C. 41737(b) and 41738 requires that we find a carrier fit, willing, and able to provide reliable service before we pay it compensation for essential air service. In that regard, we last found F. S. Air Service fit by Order 98-1-2, January 2, 1998. The carrier has operated successfully for a number of years, and the Federal Aviation Administration has advised us that

² The regulations applicable to each of these areas are (1) 49 CFR Part 20, New Restrictions on Lobbying, Implementing title 31, United States Code, section 1352, entitled "Limitation on use of appropriated funds to influence certain Federal contracting and financial transactions"; (2) 49 CFR Part 29, Subpart F, Drug-Free Workplace Requirements (Grants) implementing the Drug-Free Workplace Act of 1988; (3) 49 CFR Part 21, Nondiscrimination in Federally-Assisted Programs of the Department of Transportation--Effectuation of Title VI of the Civil Rights Act of 1964; 49 CFR Part 27, Nondiscrimination on the Basis of Handicap in Programs and Activities Receiving or Benefiting from Federal Financial Assistance; and 14 CFR Part 382, Nondiscrimination on the Basis of Handicap in Air Travel.

³ Civic parties should file an original and five copies of their comments in Docket OST-97-2942. Comments should be addressed to: Documentary Services Division, Office of the Secretary, U.S. Department of Transportation, Room PL 401, SVC124.10, 400 7TH Street, S. W., Washington, D.C. 20590.

⁴ In cases where a carrier proposes to provide full essential air service without subsidy and we determine that service can be reliably provided without such compensation, we do not normally hold rate conferences. Instead, we rely on the carrier's subsidy-free service.

the carrier continues to possess a favorable compliance disposition. The FAA knows of no reason why we should not find the carrier fit. In addition, F.S. Air Service remains subject to the Department's continuing fitness monitoring. Since no information has come to our attention that would lead us to question the fitness of F.S. Air Service we conclude that the carrier remains fit to conduct the operations proposed here.

This order is issued under authority delegated in 49 CFR 1.56a(f).

ACCORDINGLY,

1. The Department tentatively reselects F.S. Air Service, Inc., to provide essential air service at Seward, Alaska, as described in Appendix C, for the period beginning January 1, 2000, through December 31, 2001;
2. The Department tentatively sets the final rate of compensation for F.S. Air Service, Inc., for the provision of essential air service at Seward, Alaska, at **\$82,878** per year, as described in Appendix C, payable as follows: for each calendar month during which essential air service is provided, the amount of compensation shall be subject to the ceilings per week of **\$2,452.00** in the peak period and **\$735.60** in the off-peak period and shall be determined by multiplying the number of subsidy eligible arrivals and departures operated during the week by **\$122.60⁵**;
3. The Department finds F.S. Air Service, Inc. fit, willing, and able to operate as a commuter air carrier and capable of providing reliable essential air service at Seward, Alaska;
4. The Department requests that carriers interested parties to show cause within **20** days of the date of service of this order why we should not make final the tentative findings and conclusions set forth above. Objections should be filed with the Documentary Services Division, **SVC-121.30 Room PL-401, 400 7th Street, S.W., Washington, D.C. 20590**. Carriers interested in filing competing proposals to serve Seward, Alaska, should submit their proposals, with subsidy requests if necessary, within 20 days of the date of service of this order. Proposals should include all the data required by section 204.4 of our Regulations (**14 CFR 204.4**). An original and five copies of the proposal should be sent to the **EAS & Domestic Analysis Division, X-53, Office of Aviation Analysis, Room 6401, Department of Transportation, 400 7th Street, S.W., Washington, D.C. 20590**, with the title, "Proposal to Provide Essential Air Service at Seward, Alaska, Docket **OST-97-2942**;
5. The Department directs F.S. Air Service, Inc. to retain all books, records, and other source and **summary** documentation to support subsidy claims for payment and to preserve and maintain such documentation in a manner that readily permits its audit and examination by representatives of the Department. Such documentation shall be retained for seven years or until the Department indicates that the records may be destroyed. Copies of flight logs for aircraft sold or disposed of must be retained. The carrier may forfeit its compensation for any claim that is not supported under the terms of this order;

⁵ The annual compensation of **\$82,878** divided by **676** annual arrivals and departures at **100%** completion.

6. This docket will remain open until further order of the Department;
7. In the event timely objections or competing proposals are filed, the rate tentatively established in ordering paragraph (2) above, shall be effective as a final rate until further Department action;
8. If no objections or competing proposals are filed, all further procedural steps will be deemed to have been waived, and the carrier selection tentatively made by this order shall become effective on the twenty-first day after the date of service of this order; and
9. The Department will serve a copy of this order on the civic officials of Seward, Alaska, the Governor of Alaska, the Alaska Department of Transportation and Public Facilities, F.S. Air Service, Inc. and the carriers listed in Appendix E.

By:

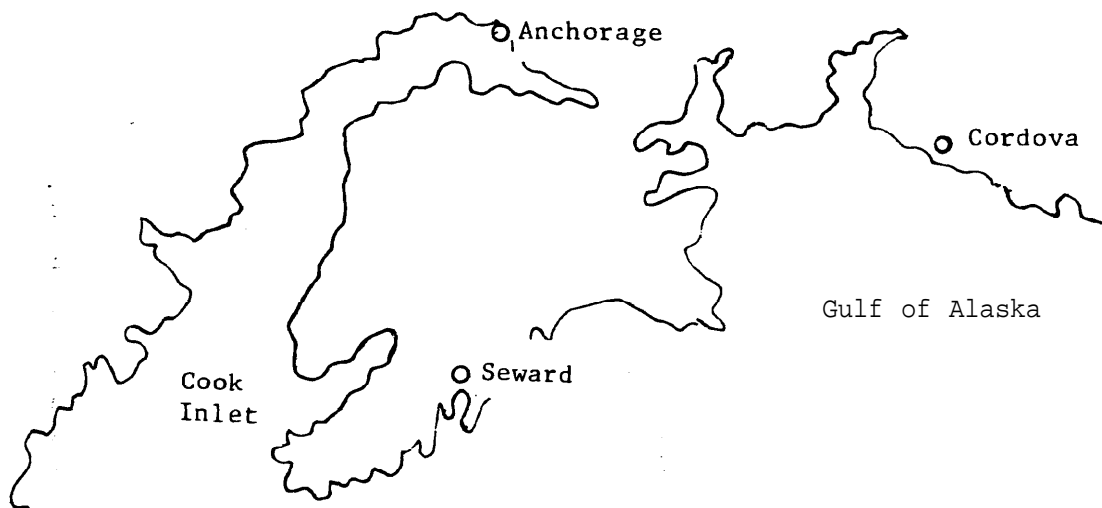
A. BRADLEY MIMS
Deputy Assistant Secretary for Aviation
and International Affairs

(SEAL)

*An electronic version of this document is available on the World Wide Web at
<http://dms.dot.gov>*

The electronic version may not include all of the appendices

SEWARD, ALASKA
Essential Air Service Map



Direct Mileages	
Seward-Anchorage	74
-Cordova	138

Annual Compensation Projection
For Essential Air Service At
Seward, Alaska

Aircraft Type	Piper		
	Navajo		
Block Hours: <u>1</u> /	338		
Annual SWD Arr/Dep <u>2</u> /	676		
		Fare/	
<u>Revenue Estimate</u>		<u>Rate</u>	<u>Totals</u>
		(\$)	(\$)
Passengers	1,800	68.42	123,156
Cargo (pounds)	6,000	0.37	<u>2,220</u>
Total Revenue			125,376
	<u>Block</u>	<u>Rate per</u>	<u>Totals</u>
	<u>Hours</u>	<u>Block Hr.</u>	
<u>Direct Expense</u>		(\$)	(\$)
Flight Operation	338	83.27	28,145
Fuel & Oil	338	74.23	25,090
Insurance	338	52.66	17,799
Maintenance	338	124.16	41,966
Depreciation .	338	57.14	<u>19,313</u>
Subtotal Direct			132,313
<u>Indirect Expense</u>			
At 49.9% of direct			66,024
Total Operating Expense			198,337
Return (at 5% of TOC)			<u>9,917</u>
Total Economic Cost			208,254
Annual subsidy need			
At 100% completion			82,878

1/ Block Hours: Blk Hr
Peak (20flts/week x 26 weeks x 30 min/flt)/60 = 260
Off-peak (6flts/week x 26 weeks x 30 min/flt)/60 = 78
Total Block Hours 338

Arrv/
Dept

2/ Arrivals & Departures at Seward:
Peak (10SWD arrvs/week+10SWD depts/week)x 26 weeks 520
Off-peak (3SWD arrvs/week+3SWD depts/week)x 26 weeks 156
Total Arriv/Depart at Seward 676

ESSENTIAL AIR SERVICE AT
TO BE PROVIDED AT SEWARD, ALASKA

EFFECTIVE PERIOD: For a two-year period from January 1, 2000
through December 31, 2001.

SERVICE: Peak period: ten nonstop round trips each week
in the Seward-Anchorage market

Off-peak period: three nonstop round trips each
week in the Seward-Anchorage market

AIRCRAFT TYPE: Piper Navajo (9 passenger seats)

TIMING OF FLIGHTS: Flights must be well-timed and well-spaced to
ensure full compensation.

RATE PER ARRIVAL AND
DEPARTURE+ \$ 122.60

WEEKLY COMPENSATION
CEILING:² Peak:³ (April-Sept.) \$2,452.00
Off-peak:⁴ (Oct.-March) \$ 735.60

See Note on next page

¹ Annual subsidy \$82,878 divided by 676 annual arrivals and departures at Seward.

² Calendar weeks that fall into separate calendar months will be treated as part of the later month for the purpose of calculating both calendar weeks per month and the monthly compensation.

³ Rate per departure \$122.60 x 10 weekly SWD departures + \$122.60 x 10 weekly SWD arrivals.

⁴ Rate per departure \$122.60 times 3 weekly SWD departures + \$122.60 times 3 weekly SWD arrivals

NOTE

The carrier understands that it may forfeit its compensation for any flights that it does not operate in conformance with the terms and stipulations of the rate order, including the service plan outlined in the order and any other significant elements of the required service, without prior approval. The carrier understands that an aircraft take-off and landing at its scheduled destination constitutes a completed flight; absent an explanation supporting subsidy eligibility for a flight that has not been completed, such as certain weather cancellations, only completed flights are considered eligible for subsidy. In addition, if the carrier does not schedule or operate its flights in full conformance with this order for a significant period, it may jeopardize its entire subsidy claim for the period in question. If the carrier contemplates any such changes beyond the scope of the order during the applicable period of these rates, it must first notify the Office of Aviation Analysis in writing and receive written approval from the Department to be assured of full compensation. Should circumstances warrant, the Department may locate and select a replacement carrier to provide service on these routes. The carrier must complete all flights that can be safely operated; flights that overfly points for lack of traffic will not be compensated. In determining whether subsidy payment for a deviating flight should be adjusted or disallowed, the Department will consider the extent to which the goals of the program are met and the extent of access to the national air transportation system provided to the community.

If the Department unilaterally, either partially or completely, terminates or reduces payments for service or changes service requirements at a specific location provided for under this order, then, at the end of the period for which the Department does make payments in the agreed amounts or at the agreed service levels, the carrier may cease to provide service to that specific location without regard to any requirement for notice of such cessation. Those adjustments in the levels of subsidy and/or service that are mutually agreed to in writing by the parties to the agreement do not constitute a total or partial reduction or cessation of payment.

Subsidy contracts are subject to, and incorporate by reference, relevant statutes and Department regulations, as they may be amended from time to time. However, any such statutes, regulations, or amendments thereto shall not operate to controvert the foregoing paragraph.

F. S. Air Service, Inc.
Origin-Destination Traffic
At Seward, Alaska

	<u>3rdQ 98</u>	<u>4thQ 98</u>	<u>1stQ 99</u>	<u>2ndQ 99</u>	<u>Total</u>
<u>Passengers</u>					
Seward-Anchorage	316	45	23	227	611
Anchorage-Seward	<u>321</u>	<u>32</u>	<u>21</u>	<u>240</u>	<u>614</u>
Total	637	77	44	467	1,225

<u>Cargo (lbs)</u>					
Seward-Anchorage	5,044	274	76	384	5,778
Anchorage-Seward	<u>5,503</u>	<u>2,840</u>	<u>1,745</u>	<u>2,000</u>	<u>12,088</u>
Total	10,547	3,114	1,821	2,384	17,866

	<u>3rdQ 97</u>	<u>4thQ 97</u>	<u>1stQ 98</u>	<u>2ndQ 98</u>	<u>Total</u>
<u>Passengers</u>					
Seward-Anchorage	220	14	25	191	450
Anchorage-Seward	<u>195</u>	<u>24</u>	<u>62</u>	115	<u>396</u>
Total	415	38	87	306	846

<u>Cargo (lbs)</u>					
Seward-Anchorage	46	0	10	250	306
Anchorage-Seward	<u>1,208</u>	<u>40</u>	<u>65</u>	<u>2,773</u>	<u>4,086</u>
Total	1,254	40	75	3,023	4,392

SERVICE LIST FOR THE STATE OF ALASKA

Aaron Air	Golden Plover Air
Aero Tech Flight Service, Inc.	Grant Aviation, Inc.
Air Excursions	Great Northern Air Guides
Air Lift Alaska	Gulf Air Taxi, Inc.
Air Madura	Gulf Aviation, Inc.
Alaska Air Carriers Association	Gulkana Air Service, Inc.
Alaska Airlines, Inc.	Hageland Aviation Services, Inc.
Alaska Bush Carrier, Inc.	Heines Airways, Inc.
Alaska Central Express, Inc.	Hel-Lift, Inc.
Alaska Coastal Airlines, Inc.	Homer Air
Alaska Fly'N Fish Charters	Hudson Air Service, Inc.
Alaska Flyers	Iliamna Air Taxi, Inc.
Alaska Helicopters, Inc.	Island Air Service
Alaska Island Air, Inc.	Island Wings Air Service
Alaska Seair Adventures	Jim Air, Inc.
Alaska West Air, Inc.	K2 Aviation
Aleutian Air, Ltd.	Kachemak Air Service, Inc.
Aleutian Specialty Aviation	Kachemak Bay Flying Service, Inc.
Amerijet International, Inc.	Katmai Air
Arctic Air Alaska, Inc.	Kenai Air Alaska, Inc.
Arctic Circle Air Service, Inc.	Kenai Aviation
Baker Aviation, Inc.	Kenai Fjords Outfitters, Inc.
Bellair, Inc.	Kenair
Beluga Lake Float Plane Service	Ketchikan Air Service, Inc.
Bering Air, Inc.	Ketchum Air Service, Inc.
Bran-Air & Branham Adventures	Kodiak Air Service
Camel Air	Koyukon Air, Inc.
Canning Air Service	Kupreanof Flying Service
Cape Smythe Air Service, Inc.	Kusko Aviation, Inc.
Cassaron Turbo Helicopters	L.A.B. Flying Service, Inc.
Chugiak Aviation	Larry's Flying Service
Clearwater Air, Inc.	Loken Aviation, Inc.
Coastal Helicopters, Inc.	Lone Star Airlines, Inc.
Cordova Air Service, Inc.	Lone Wolf Aero Services, Inc.
CPA Air Service	Maritime Helicopters, Inc.
Customized Alaskan Adventures	MarkAir Express, Inc.
Delta Connection	MarkAir, Inc.
Denali Air	Metroflight, Inc.
Egli Air Haul, Inc.	Midway Airlines, Inc.
Ellis Air Taxi, Inc.	Midwest Express Airlines, Inc.
Ellison Air, Inc.	Misty Fjords Air & Outfitting
ERA Aviation, Inc.	Mountain Aviation
F.S. Air Service, Inc.	Mountain Helicopters
Fishing and Flying	Nash West Aviation, Ltd.
Fiskehawk Aero Services	Natron Air
Forty (40) Mile Air, Ltd.	Nordic Air
Frontier Flying Service, Inc.	North Star Air Cargo, Inc.

SERVICE LIST FOR THE STATE OF ALASKA

Northern Air Cargo, Inc.
Northwest Airlink
Olson Air Service, Inc.
Pacific Wing, Inc.
Peninsula Airways, Inc.
Promech, Inc.
Ram Air, Inc.
Ray Atkins Registered Guide
Redlake Air, Inc.
Reeve Aleutian Airways, Inc.
Regal Air
Reid Air
Rust's Flying Service, Inc.
Ryan Air Service, Inc.
Scenic Mountain Air, Inc.
Seaside Air Service
Security Aviation, Inc.
Seward Flying Service, Inc.
Silver Bay Logging, Inc.
Skagway Air Service, Inc.
Soloy Helicopters, Inc.
Southcentral Air, Inc.
Specialized Air Service
Spernak Airways, Inc.
Sunrise Aviation, Inc.
Tamarack Air, Ltd.
Tanana Air Service
Taquan Air Service, Inc.
Tatonduk Outfitters, Ltd.
Temasco Helicopters, Inc.
Totem Air
Trans-Alaska Helicopters, Inc.
Trans-Porter Alaska, Inc.
Tundra Copters, Inc.

Umist Enterprises, Inc.
Umist Enterprises, Inc.
Uyak Air Service, Inc.
Vernair
Warbelow's Air Ventures, Inc.
Ward Air
Wings of Alaska
Woods Air Service, Inc.
Wrangell Mountain Air, Inc.
Wright Air Service, Inc.
Yukon Helicopters
Yutana Airlines, Inc.
Yute Air Alaska, Inc.

Alaska Juneau Aeronautics, Inc.
Ken Bannon
E.B. Freeman
A. Edward Jenner
John McFarlane
Bill Oakes
Kevin Thomas
Pat Dempsey